

## SB 30 AND AWG HIGHLIGHTS: FRIDAY, 5 JUNE 2009

In the morning, the AWG-LCA met in an informal plenary. Throughout the day, various contact groups and informal consultations took place under the AWG-KP, AWG-LCA, SBI and SBSTA.

### AWG-LCA INFORMAL PLENARY

**FINANCE:** Parties commented on the finance chapter in the Chair's draft negotiating text (FCCC/AWGLCA/2009/8). Several developed and developing countries stressed the importance of finance for agreement in Copenhagen and the need for scaling up.

The Philippines, for the G-77/CHINA, expressed concern that their proposals had been taken out of context and mixed with other proposals, and noted the Group's intention to submit clarifications and alternative text. She stressed that the text contains insufficient reference to the magnitude of the financing challenge and fails to include specific principles such as equity, common but differentiated responsibilities, and country- and demand-driven finance. She highlighted the need for adaptation funding and simplified access. She proposed, *inter alia*, deleting reference to the Paris Declaration on Aid Effectiveness, preferred stating that "the public sector shall be the major source for funds" and supported text reflecting that funding would be "over and above existing ODA." She expressed concern with language associated with co-financing, and stressed the importance of institutional arrangements.

Barbados, for AOSIS, said references to vulnerable developing countries should be consistent with the BAP. He urged a "firm commitment" from developed countries to bridge the gap between available and necessary financing, and called for new, additional and predictable resources. Identifying the need for direct and simplified access without conditionalities, he said multiple funding sources would be necessary. He supported auctioning allowances, as well as extending and increasing the share of proceeds, noting that the latter issue must be addressed under the AWG-KP. He also highlighted the need for a Convention adaptation fund.

Sierra Leone, for LDCs, highlighted the need for an expedited process and for a "massive scale" of financing outside ODA, and opposed proposals on co-financing in relation to LDCs. South Africa, for the AFRICAN GROUP, stressed the need for transparency, learning-by-doing, and scaled-up funding

through assessed contributions. She also supported: an equitable governance regime; public and private investment for mitigation; and financing for stand-alone adaptation activities. She said levies were unacceptable, and that the financial mechanism should be under the authority of the COP.

The US proposed consolidating the text and including common actions by all parties to mobilize finance. NEW ZEALAND raised concerns about the linkages with other areas of the text and said it would be useful to group all provisions on finance in a single chapter. The EU stressed the need to avoid fragmented discussions and to link action with support. He identified the need to ensure that the text allows for responding to evolving needs over time.

Several developing countries called for distinguishing between funding for adaptation and mitigation. Many developing countries also stressed the need for public financing, saying that the private sector and carbon markets should play a complementary role. The EU called for strengthening the text concerning the role of the carbon market. The US called for recognizing the reality that public sector financial support is not likely to be adequate, and suggested considering how governance can improve access to private funding. He proposed inserting references to policies that promote private investment, enhance domestic capacity and level the playing field for low-carbon investments.

NEW ZEALAND highlighted the role of public and private sector finance, and noted the potential role of carbon markets in achieving emission reductions. TURKEY identified the need to mobilize the private sector in addition to public funding. SWITZERLAND emphasized the catalytic role of public funds in engaging private sector finance and the principle of cost-effectiveness. He also highlighted the role of CO<sub>2</sub> levies in generating adequate and predictable sources of finance. Supported by NEW ZEALAND, PAKISTAN and the RUSSIAN FEDERATION, he expressed concern about the proliferation of funds in the text. SWITZERLAND and JAPAN supported enhancing existing funds. MEXICO supported a single fund for multiple uses rather than various specialized funds. COLOMBIA said an increased number of funds did not necessarily translate into increased resources.

The EU proposed focusing on functions before discussing who will perform those functions. AUSTRALIA noted the need to operationalize an institutional arrangement to facilitate financial flows from the private sector. She preferred discussing principles and criteria before focusing on specific mechanisms.

JAPAN stressed: ownership by developing countries; and recognizing the urgency of addressing the needs of the most vulnerable countries, including LDCs and SIDS. He requested rearranging the text to ensure the financial mechanism is discussed before principles.

UGANDA stressed that climate change is a “weapon of mass destruction” threatening the survival of LDCs and SIDS, and emphasized that “singing the same old song” and demanding new, additional and predictable resources is reasonable and valid. He stressed that private sector funding is not predictable and, with TANZANIA and others, recalled that developed countries have promptly addressed the current economic crisis with public resources. TANZANIA highlighted that LDCs are not able to solicit funding from the private sector. The GAMBIA described failed attempts to involve the private sector in her country, saying none of her country’s NAPA projects have been implemented. She urged capacity building and MRVed funding.

NORWAY identified auctioning of allowances as a means of generating funds for different needs, including adaptation and technology transfer, and suggested determining the quantity of allowances to be auctioned based on identified needs. TUVALU called for a multilateral climate change fund with five windows on: mitigation; REDD; adaptation; insurance; and technology. He suggested that each of the windows have an advisory panel. He stressed the need for a variety of sources and for innovative funding, such as levies on international transport and a share of proceeds on market mechanisms that may be developed under the AWG-LCA. INDIA opposed discussing the share of proceeds under the Convention, and CHINA said the proposal to increase the share of proceeds to 3-5% was too high. CHINA also opposed levies on international transport, and proposed deleting the option on a green fund or a world climate change fund.

ARGENTINA supported the establishment of separate funds for adaptation and mitigation under executive groups reporting to the COP, and called for sufficient, stable and predictable resources assessed as a percentage of the aggregate Gross Domestic Product of developed countries. He said the fund for mitigation could be complemented by market mechanisms, provided developing countries could choose to use either source of funding. CANADA noted that the institutional arrangements should be derived from the functions and principles emerging from discussions and emphasized the need to focus on meeting the needs of the poorest and most vulnerable populations. BELARUS called for including language on countries with economies in transition in the text and TURKEY supported clarifying the role of parties.

PAKISTAN highlighted the technical briefing on historical responsibility. The RUSSIAN FEDERATION called on parties to use a functional approach, noted the absence of “historical responsibility” in the Convention and the BAP, and expressed reticence to introduce a new principle into the climate regime. CHINA suggested deleting reference to the polluter pays principle, while supporting adding the principle of common but differentiated responsibilities under the guiding principles. She also highlighted areas where the text weakened financial commitments of developed countries. SAUDI ARABIA and SINGAPORE called for language that is consistent with the Convention, BOLIVIA stressed the need not to weaken the Convention and the BAP, and COLOMBIA said the integrity of the Convention must be maintained.

INDIA requested that the text reflect the commitments of Annex II parties under the Convention and stressed that the financial mechanism should be composed of public funds rather than a mix of funding sources. With COLOMBIA, he underscored language on meeting the full- and full incremental-costs.

BANGLADESH urged insertion of clearly defined criteria for financing adaptation needs. INDONESIA stressed the importance of basing the funding mechanism on predictability, efficiency, effectiveness and adequacy, as well as fairness and balance in the distribution of funds. He reminded Annex I parties of their commitment under the Convention to meet the full- and full incremental-costs of developing countries.

MEXICO supported the proposal for a “green fund.” He said the scale of contributions should be based on population, volume of emissions and capacity to pay, and governments must make the greatest contribution as opposed to the private sector. He also urged considering the needs of the most vulnerable.

COLOMBIA preferred the 2% of GNP assessed contribution option. She called for specifying a figure for adaptation costs, and expressed concern that parties’ commitments would be transferred to the private sector.

GHANA called for a single new financing mechanism with multiple funding windows. He urged particular attention be given to Africa, the LDCs and SIDS, and said the EGTT report (FCCC/SB/2009/2) provides options on financing for technology. INDIA supported a board or executive body accountable to the COP.

UGANDA called for a “minimal but effective mechanism” with transparent and democratic governance, including representatives from regional and interest groups. The UNITED ARAB EMIRATES called for a system of transparent governance under the COP, based on equitable and balanced representation by all parties. ECUADOR noted the need for criteria to ensure transparent implementation of finance and technology transfer, and supported establishment of a multilateral fund under the COP.

The G-77/CHINA and AOSIS said they would provide proposals to strengthen the text on compliance. JAPAN said compliance should be discussed in a wider context, not only under finance, and after agreement on the content and form of the final outcome.

#### **CONTACT GROUPS AND INFORMAL CONSULTATIONS**

**ANNEX I EMISSION REDUCTIONS (AWG-KP):** In the contact group, parties discussed the 45% aggregate reduction by Annex I countries from 1990 levels by 2020, proposed by Micronesia, for AOSIS, and by others. AOSIS clarified that their proposal includes a substantial deviation from business-as-usual by non-Annex I parties, and a significant reduction in deforestation levels. She said the proposal is motivated by the goal of limiting global temperature increase to below 2°C, and ultimately to below 1.5°C, and involves a less than 25% probability of exceeding 2°C.

Responding to questions, AOSIS declined to provide numbers for non-Annex I parties’ contribution, stressing that it is beyond the group’s mandate. She explained that the range of 25-40% in the IPCC AR4, from which the proposal is derived, does not include offsetting, but that the cost analysis envisages the existence of a global carbon market. IRAN expressed concern with discussions on issues under the Convention, stressing the AWG-KP’s mandate is to agree on Annex I parties’ targets.

He proposed requesting the Secretariat to compile the relevant provisions of the Convention and Protocol, as well as the relevant decisions of the COP/MOP and the AWG-KP.

Discussions continued with the proposal from the Chair's text for an "X%" reduction. CANADA said the idea was to reflect the fact that some Annex I parties are not involved in the AWG-KP discussions, and that the uncertainty surrounding coordination between the AWG-KP and AWG-LCA requires a range of numbers to remain in the text to be communicated to parties in accordance with the six-month rule. JAPAN noted that 40% of global emissions emanate from Protocol non-parties and highlighted the difficulty of setting targets without the participation of these countries. He asked whether the other proposed ranges considered Protocol non-parties. The EU, NORWAY, AUSTRALIA and others said their proposals apply to all developed countries, and AOSIS, the PHILIPPINES and SOUTH AFRICA specified that their ranges concern all Annex I countries with no distinction between Protocol parties and non-Protocol parties.

JAPAN explained his country's proposal for a new protocol, stressing the need to involve all major emitting economies and highlighting that a simple Protocol extension would be inadequate to address the climate change challenge. He said: the goal is a 50% reduction in global emissions by 2050; the proposal does not contain any numbers; developed countries should take the lead; and developing countries should contribute by undertaking mitigation actions. BRAZIL highlighted that, when considering a global goal, burden-sharing criteria must be determined to define the fair contribution of Annex I and non-Annex I countries, stressing that the Convention provides that the first priority for non-Annex I parties is sustainable development. INDIA questioned the use of terms such as "major developing countries" and "major emitters" and asked on what basis developing countries were expected to participate, citing the Convention's terms regarding the provision of resources by developed countries to meet the agreed full incremental costs incurred by developing countries in complying with Convention obligations. Discussions will continue.

**OTHER ISSUES (AWG-KP):** In informal consultations, parties considered sections of the text (FCCC/KP/AWG/2009/8) related to greenhouse gases, sectors and source categories; common metrics; other methodological issues; and "other issues," ensuring that proposals were adequately reflected. Parties agreed that issues related to privileges and immunities should be discussed under the SBI and issues related to simplifying procedures would be discussed in the AWG-KP contact group on legal matters.

The LULUCF spin-off group also met informally in the afternoon. Parties discussed, *inter alia*, text defining wetland management for possible inclusion in the Co-Chairs' non-paper. They expressed different views on whether to refer to wetland or peatland management, and whether the definition should refer to carbon stock changes, or greenhouse gas emissions and removals more broadly, reflecting different views about the ability to account for methane and other non-CO<sub>2</sub> emissions from wetlands.

The group also briefly discussed harvested wood products (HWP) and non-permanence, seeking to ensure that proposals were adequately reflected in the non-paper. Interested parties were encouraged to consult informally on natural disturbances,

bar accounting and HWP, communicating ideas to the Co-Chairs by Monday morning for incorporation into a new non-paper for informal consultations on Tuesday.

**LEGAL FORM OF THE OUTCOME (AWG-LCA):** Informal consultations continued on the legal form of the AWG-LCA outcome. Several delegates maintained that discussions on legal form were premature and should be postponed until COP 15. Some stressed that the form should follow function and that all options should be kept on the table. Parties expressed different views on whether the language in the BAP precludes the AWG-LCA from considering its legal outcome or negotiating a new protocol, and whether it limits the AWG-LCA's outcome to a COP decision.

Parties also discussed the proposed protocols, including their fungibility and procedural issues. It was noted that the protocols would be included in the provisional agenda of COP 15 under an item related to the consideration of proposed protocols. Several delegates raised questions on the relationship between the proposals for protocols and the negotiating text being considered under the AWG-LCA. It was clarified that consideration of the negotiating text was a separate process under the AWG-LCA.

Discussions on legal form will continue during subsequent AWG-LCA sessions.

**PRIVILEGES AND IMMUNITIES (SBI):** In the contact group, parties considered draft text on privileges and immunities, formulated as treaty articles.

CHINA, supported by GHANA, proposed mentioning the Kyoto Protocol in text referring to individuals serving on constituted bodies and other entities. AUSTRALIA opposed, noting it would be premature to prejudge the outcome by including reference to the Protocol. CHINA stressed that the contact group's only mandate was to discuss bodies constituted under the Protocol. Reference to the Protocol remained bracketed.

On bracketed text referring to the right to use protected and confidential means of communication, including codes, couriers and sealed bags, parties discussed whether to include reference to electronic means of communication, as proposed by Nigeria, for the G-77/CHINA. While supporting reference to electronic communications, SOUTH AFRICA proposed "in whatever form" as an alternative formulation. The EU, supported by AUSTRALIA and CANADA, stressed that the text uses wording from the 1946 Convention on Privileges and Immunities of the United Nations, which covers electronic communication. He cautioned that deviation from the Convention could lead to problems of interpretation in domestic jurisdictions. The UN legal officer confirmed that the 1946 Convention should be interpreted as covering the prevailing means of communication. He advised that deviating from the text could lead to unintended consequences. The text remained bracketed. The Chair will prepare a revised text.

**CAPACITY BUILDING UNDER THE CONVENTION (SBI):** In the contact group, parties commented on draft SBI conclusions and a draft COP decision.

On the draft SBI conclusions, parties discussed whether to mention "new capacity building needs" related to the possible outcome of the AWG-LCA. Some developed countries expressed concern that such language prejudices the outcome of the AWG-LCA, while some developing countries emphasized

that emerging needs must be accounted for in the text. Co-Chair Gwage suggested addressing capacity building needs triggered by previous decisions, such as the BAP.

The US and JAPAN supported making the text more positive by including reference to past capacity building successes identified in the previous comprehensive review. Tanzania, for the G-77/CHINA, opposed references to South-South cooperation, and noted that the comprehensive review process might provide a good basis for monitoring and also enable identification of gaps. Similar issues were raised in relation to the draft COP decision.

Parties will consult informally.

**TECHNOLOGY TRANSFER (SBSTA/SBI):** During informal consultations, parties discussed the Co-Chairs' draft SBSTA conclusions, going through the text paragraph by paragraph. Parties agreed on most of the paragraphs, but were unable to conclude on, *inter alia*: whether to invite the AWG-LCA to consider, or pay attention to, the draft report of the EGTT on performance indicators (FCCC/SB/2009/1), with some parties preferring to wait until the report is finalized; and whether to include reference to the technology needs assessment (TNA) prepared by one Annex I party, with some parties highlighting that only non-Annex I parties are expected to prepare TNAs.

**REDD (SBSTA):** In informal consultations, parties made general comments on draft SBSTA conclusions and a draft COP decision prepared by the Co-Chairs. Several parties expressed satisfaction with the text, with some suggesting adopting the text as it is. A number of parties suggested adding "reference removal levels" wherever "reference emission levels" are mentioned. Some developing country parties suggested including an indicative list of eligible activities, and others suggested referring to the costs of methodologies. Concerns were raised about addressing these issues in SBSTA as opposed to the AWG-LCA. One party suggested requesting guidance on legal implications of actions affecting indigenous peoples' rights. Informal consultations will continue.

**FINANCIAL ISSUES (SBI):** During informal consultations on the fourth review of the financial mechanism and the assessment of the SCCF, parties discussed, *inter alia*, how to proceed with a draft COP decision, noting the ongoing discussions on the Copenhagen agenda and the possibility of postponing or streamlining SB 31 in the contact group on intergovernmental meetings. Some parties proposed postponing the SCCF assessment until SB 32.

On the fourth review, some delegates proposed that the review reflect on the past, with some also advocating a forward-looking review while avoiding duplication of work within the AWG-LCA. Some possible elements for inclusion in a draft decision were discussed.

Delegates also heard highlights from the mid-term report of the Fourth Overall Performance Study of the GEF, and discussed issues related to adequacy of GEF resources and the appropriate level of ambition for the group. Informal consultations will continue.

**INTERGOVERNMENTAL MEETINGS (SBI):** During informal consultations, parties discussed draft conclusions on arrangements for intergovernmental meetings. Parties considered the provisional agenda for COP 15, COP/MOP 5 and future sessions. A request was made for more family-friendly meetings, scheduled to run mid-week to mid-week.

Regarding the work of the AWGs, parties considered two options: completion before the opening of COP 15 and COP/MOP 5, and reporting the results to the opening plenaries; and continuing the AWG's work in Copenhagen, while providing a progress report at the beginning of COP and COP/MOP, and presenting final reports in time for the high-level segment. Views differed between the two options; several parties supported a proposal to amend the second option so that the AWGs would present their final reports to the closing plenaries.

Regarding scheduling of the SBs, several parties expressed preference for holding the SBs in Copenhagen, but limiting the sessions to three days. Parties also had different views on whether the high-level segment should be three or four days.

The Co-Chairs will prepare revised draft conclusions for consideration.

### IN THE CORRIDORS

After yet another busy day, some delegates were starting to feel fatigued, including many that had attended 3-hour AWG-LCA plenary sessions every morning for five days. "It's true that we're finally getting into substance, and that we've managed to go through two very important chapters, but still, things are moving slowly," one delegate commented, continuing: "But we had better brace ourselves for an intense second week if our aim is still to get through a second reading at this session in Bonn."

Most delegates did not seem surprised that the second round of informal consultations on the legal form of the AWG-LCA's outcome continued to elicit intractable positions. However, an announcement by a developing country that it was planning to present a fifth protocol proposal aimed at reflecting a broad range of views set the corridors buzzing, and caused quite a ruckus among some developing country delegations. "Where did that come from?" exclaimed one negotiator emerging from a coordination meeting. "I guess the proponents are trying to ensure that a comprehensive legally binding outcome in Copenhagen is not precluded," said one seasoned negotiator.

Some AWG-KP delegates were in a relatively positive mood, feeling that at least some progress was being made. Others, however, felt that despite more substance being added to the discussions, positions remained polarized. Some were wondering how the new paper, expected on Saturday, calculating a collective emission reduction range based on Annex I parties' unilateral pledges, would affect the mood. "At least it will be useful to finally see what the numbers look like when the various base years and assumptions are translated into the same language," opined one delegate after the morning's meeting on emission reductions.

AWG-KP negotiators in the "other issues" group were also looking to the future. Some hoped that they would start talking substance and narrowing options, after several days of running through the text and ensuring the inclusion of all proposals. "It wasn't the exciting part, but it had to be done," one delegate noted, adding, "If you lay a shoddy foundation, the house might crack later."

Attempts were also made to take some battles outside the negotiating rooms, as well as build bridges between some traditional divides. In the evening, a soccer game was organized with teams from the Secretariat, NGOs and the "party of the world," consisting of delegates from developed and developing countries. "This just shows that developed and developing countries can play on the same team," one delegate grinned while stretching before the game.